

MISSOURI DEPARTMENT OF REVENUE
PO BOX 840
JEFFERSON CITY, MO 65105-0840

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of Revenue

MISSOURI DEPARTMENT OF **REVENUE**

USE TAX

DETAILED INSTRUCTIONS AND INFORMATION BOOK

Taxpayer Assistance Numbers

Jefferson City Central Office (573) 751-2836 Tax Assistance Center (573) 751-7191	Cape Girardeau (573) 290-5850
Kansas City (816) 889-2944	Springfield (417) 895-6474
St. Louis (314) 877-0177	Columbia (573) 884-3814
St. Joseph (816) 387-2230	Joplin (417) 629-3070
Internet www.dor.mo.gov/tax	E-mail salesuse@dor.mo.gov
Toll Free Number for Forms (800) 877-6881	Fax-on-Demand (Forms by Fax) (573) 751-4800
Individuals with speech/hearing impairments may use TDD (800) 735-2966 or fax (573) 526-1881.	

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Instructions for Completing Missouri Use Tax Returns

If you have questions or problems which are not covered in these instructions, you may obtain assistance by writing to Division of Taxation and Collection, P.O. Box 3380, Jefferson City, MO 65105-3380, e-mailing salesuse@dor.mo.gov, or calling (573) 751-2836. Persons with hearing or speech impairments may use TDD (800) 735-2966 or fax (573) 526-1881.



To ensure your tax records are **protected and confidential**, the Department of Revenue will not release tax information to anyone who is not listed in our records as an owner, partner, member, or officer for your business. If your partners, members, or officers change, you must update your registration with the department by completing a Form 126, Registration Change Request Form, before we can release tax information to those new partners, members, or officers. If you would like the department to release tax information to an accountant, tax preparer, or another individual who is not listed on your account, please complete a Form 2827, Power of Attorney.

To obtain a Form 2827, Power of Attorney Form, or a Form 126, Registration Change Request Form, contact the department at (800) 877-6881, or download the form from the Internet at www.dor.mo.gov/tax/forms/ or the Missouri Department of Revenue's Forms-by-Fax System at (573) 751-4800.

GENERAL INFORMATION

VENDOR'S USE TAX: Out-of-state vendors who are not subject to Missouri sales tax are required to collect Missouri vendor's use tax on taxable sales to Missouri consumers. Every city or county that has passed a local option use tax is listed on your return. THE "STATE ONLY" LOCATION IS USED FOR REPORTING SALES TO CONSUMERS NOT WITHIN AN AREA THAT HAS PASSED A LOCAL OPTION USE TAX. As cities or counties pass new local option use taxes, new locations will automatically be added to your return unless you have notified the department of your specific Missouri selling locations.

Ownership changes require the completion of a Form 2643, Missouri Tax Registration Application.

CONSUMER'S USE TAX: If you made cumulative taxable purchases of \$2,000 or more this calendar year from out-of-state vendors who did not collect vendor's use tax, you must remit consumer's use tax. The consumer's use tax locations listed on your return are the specific locations registered for your account. If you have other locations where you store, use, or consume items subject to consumer's use tax, please see the instructions on the following page for adding "reporting locations". **NOTE: A timely payment allowance is not allowed when paying consumer's use tax.** If you do not have \$2,000 in cumulative taxable purchases this calendar year, indicate this in the box located under "Consumer's Totals (all pages)."

When to File: The amount of tax collected determines filing frequency. It is your responsibility to determine your proper filing frequency, obtain returns and file them as required. Failure to obtain the forms will not be an excuse for failure to file the required returns. If you fail to receive a form, you should immediately notify the Division of Taxation and Collection, P.O. Box 3022, Jefferson City, MO 65105-3022, access our web site at www.dor.mo.gov/tax/forms/, or call (800) 877-6881. If you do not file timely, you will be subject to interest, additions to tax, and the discount for timely filing will be disallowed.

The chart on the following page provides the due dates for filing Use Tax Returns.

Where to file: Mail your return to Missouri Department of Revenue, P.O. Box 840, Jefferson City, MO 65105-0840.

REPORTING DUE DATES:

MONTHLY REPORTING	QUARTERLY REPORTING	ANNUAL REPORTING	2005 ACTUAL DUE DATE
JANUARY			FEBRUARY 22
FEBRUARY			MARCH 21
MARCH	1ST QUARTER		MAY 2
APRIL			MAY 20
MAY			JUNE 20
JUNE	2ND QUARTER		AUGUST 1
JULY			AUGUST 22
AUGUST			SEPTEMBER 20
SEPTEMBER	3RD QUARTER		OCTOBER 31
OCTOBER			NOVEMBER 21
NOVEMBER			DECEMBER 20
DECEMBER	4TH QUARTER	YEAR – VENDORS	JANUARY 31
		YEAR – CONSUMERS	APRIL 15

ADDING/CLOSING A REPORTING LOCATION: To close a “reporting location”, draw a line through the location and indicate the close date. You cannot use the previous owner’s tax identification number. New locations can be added in the blank lines following your preprinted “reporting location(s)”. To open a “reporting location”, enter the city (if inside a city’s limits) and/or county of the new “reporting location”. If you have questions regarding tax rates or registration changes, or if you need to obtain a Form 2643, Missouri Tax Registration Application, contact the Division of Taxation and Collection, P.O. Box 3300, Jefferson City, MO 65105-3300, or call (573) 751-5860. Persons with speech or hearing impairments may use TDD (800) 735-2966 or fax (573) 526-1881.

INTEREST RATES FOR LATE PAYMENTS:

YEAR	ANNUAL PERCENTAGE RATE	NUMBER OF DAYS	DAILY INTEREST RATE
2005	5%	365	.0001370
2004	4%	366	.0001092
2003	5%	365	.0001370

Reporting Motor Vehicle Leasing Receipts: Receipts that are derived fully or partially from the leasing of motor vehicles are reported on separate and distinct pages of your return. These pages can be identified by locating the letters “MVLE” in the upper right-hand area of the page. Leases of less than a 60-day duration should be taxed and reported on the line that lists your business address. Leases of a duration 60 days or greater should be taxed and reported on the lines listing the city/county where the lessors reside. Locations of lessors previously reported will be preprinted on the return for your convenience. Additional locations may be written in as necessary and will be preprinted on future returns. Any motor vehicle which is leased or rented as the result of a contract is subject to **sales tax** and shall be taxable at the lessee’s location at the time the lease is executed.

DETAILED INSTRUCTIONS FOR SALES/USE TAX REFUND/CREDIT


- A Check Action to be Taken:** Indicate whether you are requesting a refund or a credit by checking the appropriate box.
- B Claimant:** Enter the name of the business requesting the refund/credit. Also, enter the mailing address, telephone number, and tax identification number.
- C Name on Refund Check:** This space is to be used if a refund is requested and the check is to be issued in a name other than the taxpayer/business.
- D Power of Attorney:** If you want the Department of Revenue to send copies of any correspondence relating to this refund/credit claim to your power of attorney or agent, check the appropriate box. We will also send your power of attorney a copy of the final approval or denial of the refund/credit request.

E Refund Request Amount: Enter the amount of tax you have determined to be overpaid, the file periods and the reason for overpayment. You must state the specific grounds upon which your claim for refund or credit is based. All claims must contain supporting documentation for the overpayment. Supporting documents include: invoices, valid exemption certificates, worksheets, and any other documentation required to validate the claim. **You must submit amended returns for each tax period on your request.**

F Signature: This form must be signed by the taxpayer or agent.

G Department Use Only: The department will return your Application for Sales/Use Tax Refund/Credit (Form 472B) to you with an analysis of approval or denial.

Note: Frequently Asked Questions for amended returns/refund information are provided on page 11. If you need assistance completing your amended return(s) see the front cover for the nearest Tax Assistance Center.

 MISSOURI DEPARTMENT OF REVENUE DIVISION OF TAXATION AND COLLECTION P.O. BOX 3350 (573) 751-2836 TDD (800) 735-2966 JEFFERSON CITY, MISSOURI 65105-3350 refund@dor.mo.gov		FORM 472B (REV. 10-2004)		CLAIM NUMBER	
				CERTIFIED NUMBER	
APPLICATION FOR SALES/USE TAX REFUND/CREDIT					
BEFORE THE DEPARTMENT CAN PROCESS YOUR CLAIM YOU MUST PROVIDE:					
Checklist					
<input type="checkbox"/> Indicate on the application whether you are requesting a refund or a credit.					
<input type="checkbox"/> Provide a worksheet detailing how the refund/credit amount is calculated.					
<input type="checkbox"/> Complete the claimant portion of the application. (See back for detailed explanation.)					
<input type="checkbox"/> Submit invoices supporting the refund/credit claim. (If the refund/credit request is for more than one tax period, invoices for the entire claim may not be required. Contact the Department of Revenue at (573) 526-9938 before submitting invoices for more than one period.)					
<input type="checkbox"/> Sign the refund/credit application.					
<input type="checkbox"/> Include amended returns for each period in which the tax was originally reported .					
<input type="checkbox"/> Include a properly executed power of attorney if someone other than an owner, partner, or officer is the contact person concerning the refund/credit claim.					
<input type="checkbox"/> Provide a copy of the exemption certificate or exemption letter for an exempt sale.					
PLEASE CHECK THE ACTION TO BE TAKEN: <input type="checkbox"/> CREDIT <input type="checkbox"/> REFUND A					
TAXPAYER/BUSINESS NAME B		NAME ON REFUND CHECK, IF DIFFERENT THAN TAXPAYER/BUSINESS C		MISSOURI TAX I.D. NUMBER ()	
MAILING ADDRESS			CITY, STATE, ZIP CODE		
Do you want the Department of Revenue to send copies of any correspondence relating to this refund and the final refund approval/denial to your power of attorney or agent? <input type="checkbox"/> YES <input type="checkbox"/> NO (Include a copy of the Power of Attorney Form with the refund application.) D					
AMOUNT OVERPAID \$		FILE PERIODS			
REASON FOR OVERPAYMENT E					
DECLARATION					
I declare this claim and any attached information supporting the claim is true, complete and correct.					
SIGNATURE OF TAXPAYER OR AGENT F		DATE		PRINT NAME AND INDICATE IF TAXPAYER OR AGENT	
DEPARTMENT USE ONLY					
1.					
2. G					
3.					
4.					
You have the right to appeal any amount denied. See Frequently Asked Questions on the reverse side of this form for appeal procedures.				INTEREST	
EXPLANATION				REFUND/CREDIT TOTAL \$	
INITIATED					
DATE					
AUTHORIZED SIGNATURE					
MO 860-1159 (10-2004) DISTRIBUTION: WHITE, YELLOW — DEPARTMENT OF REVENUE; PINK — TAXPAYER COPY This publication is available upon request in alternative accessible format(s).					

A Business Identification: Please use the return which has the Missouri Tax I.D. Number, owner's name, business name, mailing address, reporting period, and telephone number preprinted at the top of the return. Correct any wrong information. If this information is not preprinted, enter the correct information in the spaces provided.

C Code: Leave this column blank — it is for department use only.

E Adjustments: Make authorized adjustments for each location for which you are reporting sales. Indicate “+” or “-” for the total adjustment claimed. (See ADJUSTMENTS SECTION, Page 15.)

Example: Gross receipts (+) or (-)
Adjustments **must equal**
taxable sales

Out-of-state businesses are responsible for collecting the correct local tax (where applicable) based on where the Missouri purchaser stores, uses or consumes the tangible personal property.

H Amount of Tax: Multiply the taxable sales of each location by the tax rate indicated for that location and enter AMOUNT OF TAX due for each reporting location.

1 Vendor's Totals: Compute total for each column from page 2 (D through H) and enter on page 1. (Amount of tax (H from vendor's use tax section) is totaled and entered on Line 1.)

J Line 2 — Timely Payment Allowance: If you file your return and payment by the required due date, enter two percent (2%) of the amount shown on Line 1. If not paid by the due date or Line 1 is “zero”, leave blank.

K Line 3 — Total Vendor's Use Tax Due: Enter total use tax due (Line 1 – Line 2). *Example:* \$500.00 – \$10.00 = \$490.00 tax due.

4

5

Frequently Asked Questions



FORMS AND FILING FOR USE TAX

1. *What is subject to use tax in Missouri?*
2. *Should I pay sales tax or vendor's use tax?*
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4. *Will my filing frequency ever change?*
5. *What are the due dates for filing my returns?*
6. *What if the due date to file a return falls on a Saturday, Sunday, or a holiday?*
7. *Am I required to file a use tax return even if my sales/purchases equal zero?*
8. *Can a negative use tax return be filed?*
9. *What is the difference between "gross receipts" and "taxable sales" on my use tax returns?*
10. *Am I required to complete the gross receipts and taxable sales box on my return? Can't I just report the amount of tax I owe?*
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19. *If I close a reporting location, will it be deleted on the next use tax return received from the Department of Revenue?*
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- 37. How do I apply for an exemption from use tax?*
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- 39. What types of farm machinery are exempt from sales/use tax?*
- 40. Does Missouri offer a sales/use tax exemption for manufacturers?*
- 41. How do I use a project exemption certificate?*
- 42. What can be purchased with the common carrier exemption?*
- 43. Are federal employees required to have an exemption letter in the name of the agency they are representing?*

TAXABLE/OTHER

- 44. What is the sales/use taxability of a leasing agreement?*
- 45. When a city/county passes a use tax, what is needed to implement the tax?*
- 46. What is the sales/use taxability of computer software and related services?*
- 47. What is the use taxability of the Internet?*
- 48. What are export sales and are they subject to Missouri use tax?*
- 49. Are freight/shipping/delivery charges taxable?*
- 50. Is medical grade oxygen subject to Missouri sales/use tax?*
- 51. Are phone cards taxable?*

FORMS AND FILING FOR USE TAX

1. What is subject to use tax in Missouri?

All sales of tangible personal property that are purchased from out-of-state and shipped into Missouri are taxable unless there is a specific exemption listed in Chapter 144.

2. Should I pay sales tax or vendor's use tax?

Sales tax is applicable on all sales made from a location within the state of Missouri. Vendor's use tax is applicable on all sales made by out-of-state vendors where goods are shipped into Missouri and where title passes within the state of Missouri.

3. When am I required to file my use tax returns?

Use tax returns may be filed on a monthly, quarterly, or annual basis. Your filing frequency is determined by the amount of state tax (4 percent for regular locations and 1 percent for food locations) due. The filing frequency is determined by the total state tax due on the return as a whole, not by each location.

State taxes collected of \$500 or more per month are to be reported on a monthly basis.

State taxes collected over \$45 per quarter but less than \$500 per month should be filed on a quarterly basis. The quarters are as follows: January through March, April through June, July through September, and October through December.

State taxes collected less than \$45 per quarter should be filed on an annual basis.

When filing Consumer's Use Tax only, the returns are to be filed on a quarterly basis. If your cumulative taxable purchases are under \$2,000 file the return and check the box which states: "I do not have cumulative taxable purchases totaling more than \$2,000 this calendar year and do not owe Consumer's Use Tax at this time." Consumer's Use Tax will be due on the total of all purchases once you have exceeded \$2,000.

Example: A sweater is purchased in May for \$25.00. No consumer's use tax is due.

A pair of shoes is purchased in September for \$75.00. Your total annual purchases equal \$100.00. No consumer's use tax is due.

A computer is purchased in November for \$1,950.00. Your total annual purchases equal \$2,050.00. You would owe consumer's use tax on your total annual taxable purchases of \$2,050.00.

*This \$2,000 is a threshold for filing and not an exemption.

4. Will my filing frequency ever change?

Your filing frequency is reviewed by the Department of Revenue on an annual basis. If this review indicates that your filing frequency should be changed, the change will be made and notification will be sent to you.

5. What are the due dates for filing my returns?

Monthly returns are due on or by the 20th of the following month, except on quarter ending months. For example, your monthly February return is due on or before March 20. The due dates listed on the chart on page 2, for quarterly returns should be followed when filing quarter ending months such as March, June, September, and December.

Quarterly returns are due on or before the last day of the month following the end of the quarter. For example, your return for the January through March period would be due on or before April 30.

Annual vendor's use tax returns are due on or before January 31 of the next year. Annual consumer's use tax returns are due on or before April 15 of the next year.

6. What if the due date to file a return falls on a Saturday, Sunday, or a holiday?

When the due date falls on a Saturday, Sunday, or a holiday, your return will be considered timely filed if it is postmarked by the next business day.

7. Am I required to file a use tax return even if my sales/purchases equal zero?

Yes. Every business registered for use tax is required to file a return even though no sales/purchases were made during the period covered by the return.

8. Can a negative use tax return be filed?

No. Negative use tax returns cannot be filed. When the credits allowed are greater than the tax collected, an amended return must be filed for the period in which the sales/purchases were actually filed.

9. What is the difference between "gross receipts" and "taxable sales" on my use tax returns?

Gross receipts equal the total amount of sales your business had for the period in which you are filing the return.

Taxable sales equal the total amount of sales your business had for the period in which you are filing the return +/- any sales on which you did not collect use tax. These are claimed in the adjustments column of your return.

Your taxable sales should always equal your gross receipts plus/minus any adjustments. If the adjustments column is not completed, the tax you owe will be calculated on the figures reported in your gross receipts column.

10. Am I required to complete the gross receipts and taxable sales box on my return? Can't I just report the amount of tax I owe?

Every vendor must file a use tax return showing the amount of taxable sales to his/her customers, as required by law.

11. If I have included my use tax in my gross receipts, can the tax amount be backed out?

The amount of use tax collected should not be included in your gross receipts. If the use tax is included in your gross receipts, it should be backed out. To back this out, take your total amount of gross receipts, including the use tax, divide (100% plus your current tax rate).

<i>Example:</i>	Gross Receipts including Use Tax	=	\$2,500
	Current Use Tax Rate	=	5.725%
	Divide \$2,500 by 105.725%	=	\$2,364.63
	Your gross receipts should be reported as		\$2,364.63

12. What type of adjustments are allowed on the use tax returns?

A summary of the adjustments allowed is provided in the ADJUSTMENTS SECTION on page 15.

A record of the adjustment claimed on each return must be maintained in your files. The Department of Revenue will review this information if you are audited.

13. How is the two percent timely payment allowance calculated?

On all vendor's use tax returns filed and paid by the required due date, you are granted a two percent timely payment allowance. Take the amount of tax due times two percent. Then subtract this amount from the amount of tax due. For example, you have \$100.00 tax due times two percent is \$2.00. Subtract this \$2.00 from the \$100.00 originally due. The amount of tax due you would pay is \$98.00.

14. What determines if a return is timely?

Your use tax return is considered timely if it is postmarked on or before the required due date. If a metered postmark differs from the U.S. Postal Service postmark, the U.S. Postal Service postmark will be used as evidence of timely filing.

15. How does the local option use tax affect out-of-state vendors?

Out-of-state vendors may be required to collect and remit any local taxes that are due to a political subdivision that has imposed the local option use tax. In the past, all use tax transactions could be reported under one location. With the implementation of the local option use tax, these vendors are required to separately report their transactions by delivery location.

16. If my use tax return has more than one page, am I required to complete all pages?

Page one of use tax returns, with more than one page, is used only to report your total vendor's and consumer's use. Your actual tax liability must be broken down on the pages attached. This is necessary to allow for the proper distribution of local use tax.

17. What is the location listed on the second page of the use tax return that says "state tax only" for?

Some counties/cities have elected to have a local use tax. The counties/cities not listed on your return do not have a local use tax. All the sales/purchases for these counties/cities may be added together and filed on the line marked "state tax only."

18. If I add a new reporting location, will it appear on the next use tax return received from the Department of Revenue?

This new location may not appear on your next preprinted form. If it does not, please write it in again at the bottom of the locations listed on the preprinted form.

19. If I close a reporting location, will it be deleted on the next use tax return received from the Department of Revenue?

The location may still appear on your next preprinted use tax return. Enter "Closed" and the date the business location closed in the gross receipts area of your return.

20. Can I file a return that has been generated by my computer rather than the one received from the Department of Revenue?

You are required to get approval from the Department of Revenue before your computer generated form is used. This return must contain all the information that appears on the one received from the Department of Revenue.

One area of these computer-generated returns that is often not done properly is the location code listing area. The location code is assigned by the department. The codes consist of 12 digits. The location codes must appear in the code column area of your use tax returns. The location codes should always be listed in the order in which they are printed on the form received from the department.

21. Do I need to include my figures for my food sales in the figures reported for sales subject to the full tax rate?

You should not include food sales in the figures reported on the full tax rate line. Food sales should be reported on the line for food sales only. If you qualify for food sales and you do not find a location for food on your return, please contact the Division of Taxation and Collection, (573) 751-5860.

22. What is the correct use tax rate for a particular city or county?

To obtain the current rate for a particular city or county and a rate chart, you may download a current use tax table (listing all cities and counties) from the department's web site at www.dor.mo.gov/tax/business/sales/ or you may contact the department at (573) 751-2836.

23. Will I be notified of local tax increases/decreases?

Local use tax increases/decreases take place on the first day of each calendar quarter. Your business will only be notified of the changes that directly affect your registered business locations. This information will be mailed to the address currently on file with the department. It is important to maintain accurate address information with the department. Failure to be notified does not relieve you of the tax.

24. How do I calculate interest on late payment of my use taxes?

Interest may be calculated in two ways.

1. Multiply the total amount of tax due by the current annual percentage rate. (The interest rate for 2005 is 5 percent.) Then multiply this amount by the number of days late. Divide this amount by 365.

Example: \$100.00 x 5% = \$5.00 \$5.00 x 30 days late = \$150.00
 \$150.00 divided by 365 = \$.41

2. Multiply the total amount of tax due by the daily rate. Then multiply the new amount by the number of days late.

Example: \$100.00 x .0001370 = \$.0137 \$.0137 x 30 days late = \$.41

25. How often are the interest rates updated?

The interest rate is subject to change each year. Any change will take effect on January 1.

26. What are additions to tax and how are they computed?

Additions to tax is a penalty charged for failure to pay or failure to file the required use tax returns by the due date. When your use tax return has been filed, but not paid by the required due date, you should calculate your penalty by multiplying the tax amount due by five percent. This penalty does not increase.

When no use tax return has been filed, you should calculate your penalty by multiplying the tax amount due by five percent for each month you are late. This penalty increases each month you fail to file a return. The maximum amount of penalty is 25 percent.

*Interest should not be calculated on the amount of additions to tax due.

27. What is the approved credit line on the use tax returns to be used for?

The Director of Revenue will issue credits for any amounts overpaid on your account. This credit should be claimed on this line on the return.

Credits should not be taken without prior approval of the department. The department will apply any credits to prior or future balances on your account, without notification.

28. How do I pay use tax under protest?

Any notice issued by the department or any tax imposed that a taxpayer disagrees with may be paid under protest. The department must receive payment in full of the delinquency or disputed tax and the check must be clearly marked "Paid Under Protest." Upon receipt of the payment, a Protest Affidavit will be mailed to the taxpayer and must be returned within 30 days after the payment is received.

AMENDED RETURNS/REFUND INFORMATION

29. Do I need a special form to file an amended or an additional use tax return?

No. A special form is not needed to file an amended or an additional return. A copy of the original form may be used. Indicate additional or amended by writing it on the return. Blank forms are available upon request.

30. How do I apply for a refund or credit of sales/use tax?

You must complete Form 472B, Application for Tax Refund/Credit, and submit amended sales/ use tax returns for the periods in which the sales or purchases were originally reported along with supporting documentation.

31. How can I ensure my refund/credit claim includes all necessary information for the department to process my claim?

We recommend you use the following checklist when filing for a refund/credit.

Checklist

- ✓ Indicate on the application whether you are requesting a refund or credit.
- ✓ Sign the refund/credit application.
- ✓ Include amended returns for **each** period in which the tax was **originally reported**.
- ✓ Provide an exemption certificate or exemption letter for **each** exempt sale.
- ✓ Provide a worksheet detailing how the refund amount is calculated.
- ✓ Submit invoices supporting the refund/credit claim. (**Note:** If the refund/credit request is for more than one tax period, invoices for the entire claim may not be required. Contact the Department of Revenue at (573) 526-9938 before submitting invoices for more than one period.)
- ✓ Include a properly executed power of attorney if someone other than an owner, partner, or officer is the contact person concerning the refund/credit claim.

32. I am filing a refund claim that involves more than one filing period. Do I need to file a separate Form 472B claim for each period?

No. Submit one Form 472B for the entire claim. Make certain you indicate the periods for which the claim is being submitted. However, you must submit amended returns for each period of your request.

33. I received an overpayment notice from the Department of Revenue. Do I need to submit a refund/credit application, amended returns or other supporting documentation in order to receive a refund or credit?

No. Sign the overpayment notice and return it to the Department of Revenue. The department will review the notice and either mail you a refund or an approved credit.

34. Does the state pay interest on overpayments?

Effective January 1, 2003, interest is included in a refund of overpayments only if the overpayment is not refunded within 120 days from the latest of:

- the last day prescribed for filing a tax return or refund claim, without regard to any extension of time granted;
- the date the return, payment or claim is filed; or
- the date the taxpayer files for a credit or refund and provides accurate and complete documentation to support the claim.

There are no statutory provisions for interest on a credit.

35. What is the oldest period for which I may request a refund/credit?

The statute of limitation for sales/use tax refund claims is three years from the date of the overpayment. The date of the overpayment is determined by the due date of the original return or the date of payment, whichever is later.

36. What is my recourse if a refund/credit claim has been denied?

A denial of refund/credit is the final decision of the Director of Revenue. A taxpayer may appeal any decision to the Administrative Hearing Commission. Appeals must be submitted in writing to the Administrative Hearing Commission, 301 West High Street, Harry S Truman State Office Building, PO Box 1557, Jefferson City, Missouri 65102 within 60 days after the date the decision is mailed or the date it is received, whichever date is earlier. If your appeal is sent by registered or certified mail, the appeal will be deemed filed on the date it is mailed. If the appeal is sent by any method other than registered mail, it will be deemed filed on the date it is received by the Administrative Hearing Commission.

EXEMPTIONS

37. How do I apply for an exemption from use tax?

Any social, civic, religious, political subdivision, fraternal organization, or educational organization can apply for a sales/use tax exemption by completing Form 1746, Missouri Sales Tax Exemption Application. This form lists the information that needs to be submitted to verify the organization is indeed a tax exempt non-profit organization.

38. What types of medical equipment and drugs are exempt/taxable?

Any drug or sample that may be legally dispensed only by a licensed pharmacist upon written authority from a practitioner licensed to administer the prescription is exempt from use tax. Also exempt are sales of insulin, hearing aids, and hearing aid supplies.

Section 144.030.18, RSMo, exempts from sales/use tax the sale of any over-the-counter medication that is purchased by an individual with a disability.

The purchase of prosthetic devices is exempt from use tax. Prosthetic devices are defined by the Federal Medicare Program under Title XVIII of the Social Security Act of 1965 as devices (other than dental) which replace all or part of the function of a permanently inoperative or malfunctioning internal body organ and include cardiac pacemakers; prosthetic lenses which replace the lens of an eye; breast prosthetics, including surgical brassieres for postmastectomy patients, maxillofacial devices, and devices which replace all or part of the ear or nose, urinary collection systems, including Foley catheters, when replacing bladder function in cases of permanent urinary incontinence; hemodialysis equipment, colostomy and other ostomy bags, and the necessary equipment required for attachment; and electronic speech aids, if the patient has had a laryngectomy or his/her larynx is permanently inoperative, are exempt from the use tax.

Eyeglasses, contact lenses, bed pans, and incontinent pants are not considered prosthetic devices and are subject to tax.

Orthopedic devices as defined by the same Act listed above include rigid or semirigid leg, arm, neck and back braces, and casting materials which are directly used for the purpose of supporting a weak or deformed body member or restricting or eliminating motion in a diseased or injured part of the body; trusses; artificial legs, arms and eyes including terminal devices such as artificial hands, hoods, and space shoes which replace part of a foot, stump stockings, and harnesses when they are essential to the effective use of an artificial limb; and orthotics are exempt from the use tax.

Elastic braces, elastic stockings, arm slings, elastic wraps, and garter belts are not considered orthopedic devices and are subject to tax. However, a recent amendment to the law exempts ambulatory aids, such as wheelchairs, walkers, canes, and crutches.

Also exempt from use tax are items specified in Section 1862(A)(12) of the Social Security Act of 1965. Exempt items included in this class are those used in connection with the treatment, removal or replace-

ment of teeth or structures directly supporting teeth. These terms encompass dentures, inlays, bridge work, fillings, crowns, braces, and other artificial dentistry and dental reconstructions which are made, manufactured or fabricated from molds or impressions made by dentists of the mouths of their particular patients and sold to dentists for insertion in the patient's mouth as a direct support of, substitution for, or part of the patient's teeth.

Dental equipment and supplies are not exempt.

For a list of usually exempt restorative materials, prosthetic devices, supporting materials, orthodontic devices and materials, and endodontic devices, please contact the department and request a copy of Regulation 12 CSR 10-110.013.

39. What types of farm machinery are exempt from sales/use tax?

Farm machinery and equipment are exempt from tax if used exclusively and directly for the production of crops as a business or for the raising and feeding of livestock, fish or poultry or for producing milk for ultimate sale at retail.

Section 144.030.22, RSMo, provides for an exemption of lubricants used exclusively for farm machinery and equipment. For further information concerning farm machinery, please contact the department, and request a copy of Regulation 12 CSR 10-110.900.

40. Does Missouri offer a sales/use tax exemption for manufacturers?

Yes. Machinery, equipment, and parts used directly in the manufacturing process are exempt if used in one of the following manners: plant expansion, new plant, replacement machinery, equipment, and parts.

41. How do I use a project exemption certificate?

A charitable, religious, or educational exempt entity may complete a project exemption certificate and present it to the contractor who in turn may use the certificate to purchase materials for a specific project tax exempt. This certificate must contain the following information:

- a. The exempt entity's name, address, Missouri tax identification number, and signature of authorized representative;
- b. The project location, description, and unique identification number;
- c. The date the contract is entered into, which is the earliest date materials may be purchased for the project on a tax-exempt basis;
- d. The estimated completion date, and;
- e. The certificate expiration date.

The department does not issue these exemptions. This is a transaction between the exempt organization and the contractor.

42. What can be purchased with the common carrier exemption?

Materials, replacement parts, and equipment on motor vehicles, watercraft, railroad rolling stock, or aircraft engaged as common carriers may qualify for the exemption provided the purchases are used directly upon and for the repair and maintenance or manufacture of the carriers.

Materials, replacement parts, and equipment which qualify for the exemption include but are not limited to, grease, motor oil, antifreeze, fuel additives, paint for body work, radio repair parts purchased for use on the vehicle and power take-off units (PTO).

43. Are federal employees required to have an exemption letter in the name of the agency they are representing?

No. The federal government is exempt by the Constitution and not required to obtain an exemption letter. Exemption letters are issued to federal agencies only as a courtesy. Persons claiming to be a federal employee should be able to produce identification as to their employment status and they may only purchase exempt on behalf of the government.

TAXABLE/OTHER

44. What is the sales/use taxability of a leasing agreement?

The lessor has the option of either paying the tax up front on the item to be leased or charging the tax on the lease receipts. Only one of these options may be chosen.

If the lessor chooses to charge the tax on the lease receipts on items other than motor vehicles, the tax due is based on the place of business of the lessor. If the lessor has more than one place of business, the taxable sale is based on the location where the initial order is taken.

Any motor vehicle, which is leased or rented as the result of a contract is subject to sales tax at the lessee's location at the time the lease is executed.

45. When a city/county passes a use tax, what is needed to implement the tax?

The local entity imposing the tax must submit an ordinance/order imposing the tax, voting results and a map of the affected area to the Director of Revenue within 10 days after the election. The tax will become effective on the first day of the second calendar quarter after the director receives notification.

46. What is the sales/use taxability of computer software and related services?

Canned software is taxable. Custom software is not taxable. Program installation, maintenance of software and training services are taxable when the purchase of these services is mandatory under the terms of the agreement to purchase the software.

47. What is the use taxability of the Internet?

Fees paid for Internet services received in your home are not taxable. Use tax applies to out-of-state sales or purchases made through Internet use, if the goods are shipped into the state of Missouri.

48. What are export sales and are they subject to Missouri use tax?

Export sales are sales made to customers located outside the state of Missouri and they are not subject to **Missouri** use tax. If the goods are picked up in Missouri, sales tax applies.

49. Are freight/shipping/delivery charges taxable?

If the charges are separately stated and not intended by the parties to the transaction to be included as a part of the sale and not mandatory, they are exempt.

50. Is medical grade oxygen subject to Missouri sales/use tax?

Effective August 28, 1997, sales of medical grade oxygen are exempt from Missouri sales/use tax. House Bill 491 amended Section 144.030.2(18), adding the exemption.

51. Are phone cards taxable?

Phone cards that are purchased for personal use are taxable at the location where the phone card is purchased.

Adjustments

An adjustment is something that you may deduct from or add to your gross receipts. Detailed records of all adjustments must be retained in your records, in case you are audited. Adjustments and exemptions are subject to be changed by state legislation.



The following is a listing of the types of items that may be sold by you that can be **deducted** from your gross receipts:

- Items purchased from you that will be resold by your customer.
- Sales of motor fuel subject to excise tax. **This does not include motor fuel consumed in operating your business.**
- Feed for livestock. This includes **all** feed for cattle, calves, sheep, swine, ratite birds, including but not limited to, ostrich and emu, aquatic products, elk documented as obtained from a legal source and not from the wild, goats, horses, other equine, or rabbits.
- Economic poisons, pesticides or herbicides which are to be used in connection with the production of crops, fruit trees or orchards, aquaculture, livestock and poultry.
- Components or ingredients of products manufactured, processed, compounded, mined, produced or fabricated.
- Materials, replacement parts and equipment purchased for direct use on motor vehicles, watercraft, railroad rolling stock or aircraft engaged as common carriers. **This adjustment does not apply to contract carriers.**
- Replacement machinery and equipment used directly in manufacturing, mining, fabricating or producing a product.
- Machinery and equipment purchased to establish or expand an existing manufacturing, mining, or fabricating plant in this state.
- Newsprint, ink, computers, photosensitive paper and film, toner, printing plates and other machinery, equipment, replacement parts and supplies used in **producing** newspapers published for dissemination of news to the general public.
- Air pollution equipment that has been certified as exempt by the Department of Natural Resources. **An exemption letter issued by the Department of Revenue should be presented by the purchaser.**
- Water pollution equipment that has been certified as exempt by the Department of Natural Resources. **An exemption letter issued by the Department of Revenue should be presented by the purchaser.**
- Tangible personal property purchased by a rural water district.
- All sales of metered water, electricity, electrical current, natural, artificial or propane gas, wood, coal or home heating oil used for domestic use. **Utilities used in your normal business operations cannot be claimed under this adjustment.**
- Fuel consumed or used in the operation of ships, barges, or waterborne vessels which are used for the transportation of property or person on navigable rivers bordering on or located in part of the state of Missouri.
- All sales of barges.
- Electrical energy or gas (natural, artificial or propane) used in connection with the manufacturing of cellular glass.
- Property directly used in the research and development of prescription pharmaceuticals for humans and/or animals.
- Grain bins for storage of grain for resale.
- Feed used in the feeding of pets by a commercial breeder. **The commercial breeder must present their Missouri Pet Breeders card at the time of purchase.**

- Purchases of **materials** used by contractors fulfilling a contract for the purpose of construction, repairing or remodeling facilities for qualifying exempt entities. This **does not** include construction machinery, equipment or tools used in the project. **A project exemption certificate and a copy of the exempt organization's exemption letter should be obtained from the contractor. You will be able to tell whether or not the contractor qualifies for this deduction by reading the organization's exemption letter.**
- Medical items such as insulin, prosthetic or orthopedic devices, hearing aids and hearing aid supplies, prescription drugs, medical oxygen, home respiratory equipment and accessories, hospital beds and accessories and ambulatory aides, manual and powered wheelchairs, stairway lifts, braille writers and electronic braille equipment.
- All sales of scooters, reading machines, electronic print enlargers, and magnifiers, electronic alternative and augmentative communications devices when purchased by or on behalf of a person with one or more physical or mental disabilities to enable them to function more independently.
- Items used solely to modify motor vehicles to permit the use of such motor vehicles by individuals with disabilities.
- Sales of over-the-counter or non-prescription drugs for individuals with disabilities.
- Purchase of electrical energy used in manufacturing, processing, compounding, mining, or producing of a product. **An Electrical Energy Direct Pay exemption letter should be presented before this exemption is granted.**
- Natural gas used in the primary manufacture or processing of fuel ethanol.
- Purchase of electrical energy used by a material recovery processing plant. **An Electrical Energy Direct Pay exemption letter should be presented before this exemption is granted.**
- All purchases by businesses issued a Direct Pay exemption letter.
- Forty percent of the purchase price of a new manufactured home.
- Sales of used mobile homes on which Missouri sales/use tax was paid on the original sale.
- Trade-in allowances given at time of purchase of merchandise, except mobile homes.
- Sales shipped outside the state of Missouri. Title or ownership of this merchandise must not take place within this state.
- Room fees collected from persons considered to be a permanent resident of a hotel. The accommodations must be contracted in advance for a period of thirty consecutive days or more.
- Amounts allowed for cash or trade discounts.
- Separately stated labor charges, not to include labor which is part of the production cost.
- Delivery freight and transportation charges separately stated and not intended to be part of the sale.
- Parts purchased for repair of motor vehicles intended to be resold. **The dealer registration number should be presented at time of purchase.**
- Store coupons redeemed. **Manufacturer's or third-party coupons, for which you will be reimbursed, cannot be deducted.**
- Farm machinery and equipment if used exclusively and directly for the production of crops or livestock, fish or poultry, or of producing milk for sale at retail. A listing of usually exempt and usually taxable items may be requested from the Department of Revenue.
- Personal property tax reimbursement charges on leases/rental, when separately stated or billed.
- Sales to the following organizations are exempt from use tax:
 - Religious and charitable organizations and institutions (Examples would include churches, seminaries, American Red Cross, American Cancer Society, and Diabetes Foundation).
 - Elementary and secondary schools operated at public expenses.

Civic, social, service, or fraternal organizations. This exemption can be granted only when the organization is purchasing items in the civic or charitable functions. (Example: A fraternal organization has a fundraiser and gives all the proceeds to a local homeless shelter. All items for this fundraiser can be purchased tax exempt.) This exemption may not be used to purchase items tax free for the general operation of these organizations, such as utilities, maintenance materials, etc.

Private not-for-profit institutions of higher education.

Private not-for-profit elementary or secondary schools.

State agencies, cities, counties, townships, and districts (examples include water, school, ambulance, library, road, nursing home, and hospital.)

Copies of the exemption letters issued to the organization claiming exemption must be provided at the time of sale. Copies of these exemption letters should be kept for at least three years.

- Sales to the Federal Government.
- Missouri cigarette tax collected on the sales of cigarettes.
- Sales to diplomatic and consular personnel. **The person is required to present an official exemption identification card issued by the United States Department of State.**
- Purchases by State Senators and/or Representatives. Their exemption letter must be provided at the time of purchase.
- Purchases made with Federal Food Stamps or W.I.C. (Women, Infants, and Children) vouchers.
- All sales of lottery tickets.
- Sales of bullion and investment coins.

Positive adjustments to be **added** to your return:

- Items purchased from a non-Missouri supplier for resale, but used by you.
Example: You are in the business of selling stereos. You take a stereo off the shelf and take it home for your personal use. The retail selling price of this stereo is \$300. The actual cost when purchased by your business was only \$200. You would owe tax on the **cost** of the stereo, not the retail selling price. The tax rate used would be the tax rate in effect at the location from which the stereo was removed from inventory.
- You should self-assess consumer's use tax on items purchased for resale from an **out-of-state** supplier but used by you. This should be reported on your Form 53U-1, Use Tax Return.

Records to be Retained

The following records should be retained for at least three years (RSMo, 144.320):

- Copies of Missouri sales and use tax returns including any worksheets.
- Sales journals, general ledgers, or any and all other source documents used to complete the sales and use tax return.
- Missouri sales invoices.
- Exemption certificates, exemption letters, or other proof of exemption for all sales claimed exempt from Missouri sales or use tax.
- Purchase invoices and especially those for fixed assets purchased by taxpayer.
- Detailed depreciation schedule or fixed asset listing.
- Check register, purchases journal, or disbursement journal.
- Chart of accounts and customer lists.

